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FM AMEMBASSY DHAKA
TO RUEHC/SECSTATE WASHDC 7079
INFO RUEHLM/AMEMBASSY COLOMBO 8541
RUEHIL/AMEMBASSY ISLAMABAD 2273
RUEHKT/AMEMBASSY KATHMANDU 9777
RUEHNE/AMEMBASSY NEW DELHI 0748
RUEHGO/AMEMBASSY RANGOON 2648
RUEHCI/AMCONSUL KOLKATA 1387
RUEBBPA/DEPT OF EDUCATION WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 DHAKA 000773

SIPDIS

DEPT FOR SCA/PB AND EEB/ESC

E.O. 12958: DECL: 07/22/2018
TAGS: [EINV](#) [EMIN](#) [ENRG](#) [PGOV](#) [PREL](#) [BG](#)
SUBJECT: US COMPANY REPORTS CONCERNS IN BANGLADESH OFFSHORE
GAS BIDDING PROCESS

REF: DHAKA 517

Classified By: Ambassador James F. Moriarty, Reasons 1.4 (b) and (d)

SUMMARY

1. (C) Two months after Bangladesh opened bids for offshore natural gas exploration in the Bay of Bengal (reftel), ConocoPhillips, the largest US bidder, reported it had not received any official communication from the Government of Bangladesh (GOB) about its bids, but numerous prospective "partners" were telling ConocoPhillips it had won some or all of the bids; Conoco Phillips also reported that Burmese officials had warned the company against exploration in disputed waters. Petrobangla told us the bid evaluation process was almost complete and dismissed as unimportant a High Court inquiry into the legality of the tender. ConocoPhillips' description of wheeler-dealers coming out of the woodwork and silence from the GOB is a familiar scenario in the world of energy development in Bangladesh.

THE LAST TO KNOW

2. (C) In a tender floated by Petrobangla, the GOB's state-owned energy corporation, ConocoPhillips submitted four bids for a total of eight offshore blocks for natural gas exploration and production in the Bay of Bengal. When the bids were opened May 7, Petrobangla informed ConocoPhillips the Evaluation Committee would take approximately three weeks to identify the successful bids, at which time the selected bidders would be notified. Following an additional six weeks to complete its internal approval process, Petrobangla would begin discussions on production sharing contracts with successful bidders. ConocoPhillips told EconOff that as of the end of June, it had received no official communication from Petrobangla.

3. (C) Company officials, however, reported being contacted by numerous third parties in Bangladesh, including seismic contractors, service providers and prospective agents. These third parties "unofficially" reported the Evaluation Committee had approved all 4 Conoco bids and offered to serve as the company's representative in Bangladesh. ConocoPhillips' Exploration Contracts Manager, Mr. Steve Park, expressed amazement over the fact that "just about everyone in Bangladesh" knew details of every bid and the results of the Evaluation Committee's deliberations.

BURMA WEIGHS IN

14. (C) According to Park, ConocoPhillips' CEO received a letter June 17 from the Director General of the Ministry of Foreign Affairs of the "Union of Myanmar" informing the company that maritime boundary between Burma and Bangladesh was undefined. The GOB letter warned any attempt to explore or exploit natural resources within Burma's territorial waters without Burma's consent could create "undesirable consequences in the future." (NOTE: Before the tender was floated, some company representatives had expressed concern to us about the undefined maritime boundaries with both India and Burma. Media reported Burmese lobbying against the tender (reftel). END NOTE.)

HIGH COURT QUESTIONS LEGALITY

15. (U) Bangladesh's High Court recently issued a writ to the Law and Energy Secretaries and the Chairman of Petrobangla questioning the legality of the tender. The writ was private interest in response to a petition asserting that under Bangladesh's constitution the Caretaker Government had no authority to make decisions regarding exploration of natural resources.

PETROBANGLA RESPONDS

16. (C) In response to Embassy inquiries, Petrobangla officials reported the evaluation process was complete and awaited final approval from the GOB. According to

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Petrobangla, the government would announce the winners once the GOB's top leadership approved the evaluation committee's recommendations. Petrobangla officials were preparing a response to the High Court, but said they did not expect the High Court's inquiry to impact the tender awarding process.

COMMENT

17. (C) Despite the best efforts of the Caretaker Government, it appears the GOB has not dramatically improved its process for evaluating and announcing the results of a tender process. Throughout this round of bidding and in other tenders involving energy development, the GOB has lacked transparency. Bidders were frequently approached by shady businessmen who knew a lot about bids that were supposed to be confidential and who claimed to have the inside track on which bids would win. The GOB's top energy officials have good ideas and are keen to address Bangladesh's energy crisis. That said, the ConocoPhillips' situation, is one more indicator that these officials have not yet been able to crack the opaque and highly bureaucratic procedures that stymie the development of Bangladesh's energy sector.
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